

Agenda – External Affairs and Additional Legislation Committee

Meeting Venue:

Committee Room 5 – Tŷ Hywel

Meeting date: 21 October 2019

Meeting time: 13.30

For further information contact:

Rhys Morgan

Committee Clerk

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Private pre-meeting

(13.15–13.30)

1 Introductions, apologies, substitutions and declarations of interest

(13.30)

2 The Finnish Presidency of the EU Council

(13.30–14.15)

(Pages 1 – 8)

His Excellency Markku Keinänen, Ambassador of Finland to the United Kingdom

Minttu Tajaamo, Embassy of Finland

3 Round table discussion with academics on the Welsh Government's draft international strategy

(14.15–15.45)

(Pages 9 – 27)

Dr Kirsty Hughes – Scottish Centre on European Relations

Dr Rachel Minto – Cardiff University

Professor Kevin Morgan – Cardiff University

Dr Elin Royles – Aberystwyth University

Susie Ventris-Field – Welsh Centre for International Affairs



4 Paper(s) to note

(15.45–15.50)

4.1 Paper to note 1: Performance Report on the Welsh Government Overseas Network

(Pages 28 – 32)

4.2 Paper to note 2: Correspondence from the Chancellor of the Duchy of Lancaster to the Chair regarding common frameworks – 14 October 2019

(Pages 33 – 34)

4.3 Paper to note 3: Correspondence from the First Minister to the Chair regarding questions not reached during the Committee meeting of 16 September 2019 – 15 October 2019

(Pages 35 – 38)

5 Motion under Standing Order 17.42(vi) and (ix) to resolve to exclude the public from the remainder of the meeting

(15.50)

6 Changes to freedom of movement after Brexit – consideration of draft report

(15.50–16.35)

(Pages 39 – 83)

7 Scrutiny of international agreements

(16.35–16.50)

(Pages 84 – 99)

8 Forward work programme

(16.50–17.00)

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Agenda Item 4.1

Performance Report on the Welsh Government Overseas Network

The following performance report covers the first two quarters of 2019 / 20. Future reports will be produced on a quarterly basis. The report will focus on key metrics and narrative outputs from the network of 21 Welsh Government offices.

Future performance measures will be revised to deliver against the international strategy objectives.

The network of overseas offices currently have the following five key outputs:

- **Represent Wales at Business focused events / conferences / forums** – The offices will identify opportunities to attend events to present key Welsh messages to target business audiences and multipliers to drive trade and invest opportunities. Such events can include business chamber events or sector focused conferences.
- **Engage with parent company / HQ of existing investors.** The offices are tasked with building and strengthening the relationships with the headquarters of existing international investors in Wales. Working in a co-ordinated way with the appointed regional account manager to build the relationship to identify potential reinvestment opportunities and future plans for the Welsh base.
- **Verified inward investment enquiries sourced from in-market** – Through business development activity and working with partners and multipliers the offices will identify and source inward investment opportunities which have the ability to deliver job creating projects in Wales in the near and long term.
- **Provide significant export support to Welsh companies** – Through in-market intelligence offices will identify international trade opportunities for Welsh based companies, which have the potential to deliver secured export deals. The nature of support can range from brokered introductions to regional distributors and agents through to direct support to tailored business development visits in a region.
- **Provide direct support in market to deliver wider Welsh Government priorities** – Offices will have a remit to proactively promote the wider Welsh Government priorities within a relevant territory. Such examples can include direct support to Welsh universities in recruiting students and establishing research partnerships through to promoting Wales as a tourism location.

In future, we will expand this to include identification and engagement of Welsh diaspora and friends of Wales.

The individual office targets are set and aligned to historic outputs delivered from the region, the geographic focus on trade and invest, what is expected as a proportion of the total UK output and relevance to key Welsh sectors.

Network Outputs

Output April – September 2019	Annual Network Target	Achieved in Q1 & Q2 for 2019/20	Percentage Achieved
Represent Wales at Business focused events / conferences / Forums	310	175	56%
Engage with parent company/HQ of existing investors	182	53	29%
Verified inward investment enquiries sourced from in-market	240	136	57%
Provide significant export support to Welsh companies	360	147	41%
Provide direct support in market to deliver wider Welsh Government priorities.	135	89	66%

Each office maintains a pipeline of inward investment and trade support enquiries. These are commercially sensitive and companies' details cannot be published without consent.

The following is a reflective sample of key activities and outputs across the network of offices since March 2019.

Europe

- The team continue to actively engage with European investors with a base in Wales and have identified and are progressing an opportunity to create a 150 new full time roles in Wales within the construction sector. The team have also met with a company who have acquired an existing Welsh manufacturing company and have plans to create 40 new roles.
- The European team are leading on engagement with the Four Motors group of regions that Wales is an associate member. As a result of Welsh representative intervention, the European regions are intending to meet in Wales for their annual economy-planning event. This will allow the team to showcase the key sector strengths such as cyber security and compound semiconductors
- The European team have represented Wales and provided support to exporters at Hamburg Aircraft Interiors exhibition, Paris Airshow and Seafood Expo in Brussels.
- The team have organised and delivered a trade and investment mission to the Nordic Life Sciences conference collaborating with the Life Science Hub in Wales to maximise the potential in the Scandinavian market.

- The team have successfully delivered the Welsh presence at the Ireland Aviation Summit hosting Welsh business seeking trade opportunities and speaking to companies looking to establish a base within the UK.
- Through engagement with the parent company of an existing Irish investor in Wales a £2.5m new project at the Welsh facility is being progressed.
- The new Germany team has delivered a ministerial visit within September and is progressing inward investment opportunities that have the potential to create 300 new jobs in Wales.
- Direct support has been provided to a Welsh based life science company which has led to significant new sales in Germany and new roles created in Wales.
- The newly appointed team in France are building relationships with existing investors and have co-ordinated the first Wales France business forum that has resulted in focused events in both Paris and Cardiff.

London

- The team have represented Wales at a number of key events including London Tech Week, Fintech Week, CityUK and SIBOS.
- The London team have played an instrumental role in securing the CityUK conference to Wales in November.
- The team ensures Wales's representation at international forums in London with countries such as China, Canada, USA, UAE, Australia and Qatar.
- The team in London continues to source inward investment enquiries and work with regional colleagues to secure investments in Wales such as the recent established base by Monzo bank.
- The team have worked closely with over 40 Welsh food & drink companies enabling them to access buyers in the London market.
- The team regularly support many sector/regional/overseas teams with regard to trade and invest activity as well as significant support for the tourism, science and transport sectors.

Middle East and North Africa

- Provided direct support to Welsh companies to bid for work in the construction of the Dubai EXPO site that has resulted in secured export deals.
- The team in market have actively promoted Welsh Lamb across the region that has resulted in export deals in the UAE, Qatar and Kuwait. The team have support the first food and drink exports to Doha utilising the Qatar Airways route from Cardiff airport.
- Provided direct support and co-ordination in the signing of a Memorandum of Understanding between Cardiff University and University of Qatar.
- Have provided direct lobbying against market access barriers in the food and drink sector in the middle east region resulting in welsh products now being exported.

North America

- The team has delivered a successful visit programme for the Minister for Education to Texas, Alabama and Georgia focused on educational partnerships. The visit included senior meetings with leading US universities.
- Direct support has been provided to leading Welsh Life Science companies, researchers and Universities at BIO 2019, the largest Life Science exhibition in North America. This has already resulted in significant export orders for Welsh companies and interest from US companies seeking partnerships in Wales.
- The team represented Wales at the CS Mantech conference, a leading Semi-Conductor event to highlight Wales' strengths in the sector.
- The team are working with a world leading Semiconductor Company in California on an expansion plan to create a European base in Wales.
- The North American team represented Wales delivering a programme of activity at the High-Level Political Forum in New York, organising meetings for our Deputy Director of Futures, the Futures Policy Officer and the Future Generations Commissioner for Wales. Meetings were also secured with UK Ambassador to the UN and multiple UK Gov departments to outline the significance of the Future Generations Act.
- US Lamb/Beef Rule engagement – The team are working with stakeholders on the potential lifting of the ban on Welsh beef and lamb imports into the US. Officials are liaising with USDA officials, UK gov trade policy advisors and other devolved counterparts providing intelligence back to Wales.

China

- The team in China have secured an inward visit by a delegation from Shandong, which has resulted in the Wales Wound Innovation Centre signing a MoU with the China Rehabilitation University. A visit to Qingdao by the team in Cardiff will take place in October.
- The team represented Wales at the China International Fair for Trade in Services (CIFTIS), from 28th May to 1st June in Beijing. This enabled the team to showcase and promote Welsh expertise in education and tourism sectors. A number of Welsh Universities and colleges were represented.
- Direct support has been provided to a number of companies seeking export opportunities and one Welsh company has signed an agreement in Beijing to sell both on and offline.
- The team have provided direct business development support to a Welsh manufacturing company in China which has resulted in an initial order signed for £200k.
- The China team have attended and represented Wales at a number of key conferences and exhibitions including the Smart China Expo, Henan Provincial Investment and Trade fair and the Silk Road Expo which has resulting in further dialogue with Wales Aerospace forum on investment opportunities.

Japan

- The team have proactively engaged with existing Japanese investors in Wales to identify future investment opportunities and challenges faced by some in the global automotive sector.
- The team have proactively marketed Wales in the lead up to the Rugby World Cup and supported Welsh companies promote and exhibit products in leading locations and key exhibitions and fairs.
- As part of a media plan, the team have approached local broadcasters ahead of the rugby world cup and secured a number of opportunities to promote Wales as a business and tourism location. One direct result is a prime time TV station focusing on Wales as a destination.
- The team has been working directly with a Welsh company in the construction sector which is progressing to a significant export deal.
- The Japan team have provided direct support to Hybu Cig Cymru, the Welsh Meat Promotion board. HCC were present at Tokyo's biggest Food Exhibition following the lifting of the beef and lamb ban. This has led to the first ever commercial contract for Welsh lamb to be imported into Japan and a rapid increase in interest amongst hotels and restaurants excited by the quality of Welsh lamb in the region.

India

- The team continue to provide active account management to the existing Indian investors in Wales.
- The team have delivered a number of business focused roundtable events working in collaboration with DIT to target inward investment opportunities. Each attending company has an outlined need to create a presence in the UK or grow an existing base.
- The team are actively engaged with a number of Wales's universities on secure student recruitment and research partnerships.
- The team provided direct export to Welsh aerospace companies who exhibited at Aerospace India and met with Indian companies looking to establish a presence in Europe.
- As part of a UK inward mission the team facilitated a presentation on the key strengths of Wales to over 20 Indian businesses in the ICT sector.
- The team are currently working with two Indian manufacturers and have identified suitable properties in Wales that have been visited. The projects has the potential to create 450 new full time roles



Agenda Item 4.2

Rt Hon Michael Gove MP
Chancellor of the Duchy of Lancaster
Cabinet Office 70 Whitehall London SW1A 2AS

David Rees AM
Chair of the External Affairs and Additional
Legislation Committee
National Assembly for Wales
Cardiff Bay
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Our reference: CDL/00478

14th October 2019

David Rees

Thank you for your letter of 30 September on the work of Common Frameworks and the implications for this in the event that the UK leaves the EU without a deal on 31 October.

We remain committed to the Common Frameworks principles agreed with the Scottish and Welsh Governments at the Joint Ministerial Committee (EU Negotiations) and constructive discussions guided by these principles continue to be overseen by the JMC(EN). The publication of the Common Frameworks Update (3 July) and the most recent European Union (Withdrawal) Act Quarterly Report (17 July) demonstrates the good progress made and a commitment to develop Common Frameworks in a transparent and inclusive manner.

Common Frameworks were most recently discussed at JMC(EN) on 10 October where Ministers reaffirmed their importance as a vital part of EU Exit preparations and committed to drive this work forward in their respective administrations.

As you know, Common Frameworks are intended to serve as long term, lasting policy solutions following the UK's departure from the European Union. The need to agree Common Frameworks remains paramount in all scenarios as they will help shape the future landscape of devolution post EU Exit - the work on Common Frameworks has always been conducted without prejudice to the outcome of negotiations with the EU. Work is ongoing between the UK Government, Scottish Government, Welsh Government and the Northern Ireland Civil Service to determine whether some frameworks will need to be agreed and implemented more quickly in the case of a non-negotiated exit.

So far, the UK Government has concluded that it does not need to bring forward any Section 12 regulations under the EU (Withdrawal) Act. As you will know, there is an existing political commitment that the Scottish and Welsh Governments will not create divergent policy in ways that would cut across future frameworks where it has been agreed they are necessary or where discussion continues. This was agreed on the basis of continuing joint progress and collaboration on common frameworks and that the UK Government has not sought to bring forward any section 12 regulations to date.

Further to your question on EU exit legislation, the UK Government has undertaken extensive work to identify the primary legislation essential to deliver our exit from the EU in different scenarios. The necessary EU-exit primary legislation for 31st October 2019 in a no deal scenario is already in place. This includes the EU (Withdrawal) Act 2018; the Sanctions & Anti-Money Laundering Act 2018; the Nuclear Safeguards Act 2018; the Haulage Permits & Trailer Registration Act 2018; the Taxation (Cross-border Trade) Act 2018; and the Healthcare (EEA & Switzerland Arrangements) Act 2019.

The UK Government welcomed the decision of the National Assembly for Wales to agree legislative consent motions for both the EU (Withdrawal) Act 2018 and the Healthcare (EEA and Switzerland Arrangements) Act 2019.

Although we anticipate that further primary legislation will be required after exit day, the UK Government remains committed to upholding the Sewel Convention, and its related processes and procedures, and will continue as we have always done so to seek legislative consent from the National Assembly for Wales for all provisions that legislate within devolved areas in Wales.

Thank you for your kind invitation to appear before your Committee. I note that my office is currently awaiting confirmation from the committee that I will give evidence on 24 October. I am copying this letter to the Secretary of State for Wales.

With every good wish,

A handwritten signature in black ink, appearing to be 'M. Gove', with a checkmark above the first letter.

Rt Hon Michael Gove MP
Chancellor of the Duchy of Lancaster

Mr D Rees AM
Chair
External Affairs and Additional Legislation Committee
National Assembly for Wales
Cardiff

15 October 2019

Dear David

I am writing in relation to your letter of 20 September 2019 seeking answers to those questions that were not reached during the External Affairs and Additional Legislation Committee meeting on 16 September 2019. Events since we met have been fast-moving; the UK Supreme Court's historic ruling that the Prime Minister's decision to suspend Parliament for five weeks was unlawful, void and of no effect has allowed Parliament to resume its work.

On Thursday 26 September the Welsh Government published, "A Brighter Future for Wales: a case for why we should remain in the EU". In this paper, a successor to *Securing Wales' Future*, we outlined the updated economic analysis that we have undertaken, with a particular focus on the impact of leaving without a deal on 31 October 2019.

On 2 October, the UK Government published its proposals to replace the backstop in the Withdrawal Agreement. We await, with interest, how this will be received in Brussels and Ireland, although it seems doubtful that it will form the basis of a new agreement. If a deal is agreed and supported in Parliament the UK Government will need to bring forward a revised Withdrawal Agreement Bill. We have been clear this will need the consent of the National Assembly for Wales.

We also expect the UK Government to abide by consent requirements in respect of any emergency primary or secondary legislation that it brings forward.

For primary legislation, we recognise the possibility of the UK Government having to introduce Bills which will need to move very quickly through the UK Parliament's legislative scrutiny process. It is clear that the Sewel Convention must be respected; even where UK Bills need to move at an accelerated pace, it is necessary for Assembly consent to be accommodated, even if time for committee scrutiny is curtailed.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

However, it must be recognised that UK Bill timetables are not within the gift of the Welsh Government. It is not therefore possible to give cast iron guarantees that the Assembly will always be afforded the proper time to consider consenting to the proposed legislation in so far as it relates to devolved competence. We will work closely with the Llywydd to find the most appropriate ways to expedite procedures if necessary.

Last year the Welsh Government set out its intention to bring forward a Wales Agriculture Bill in this Assembly term. The continuing uncertainty on the nature of Brexit, the manner of the UK's withdrawal from the EU and our future relationship and future funding are all undecided by UK Government. These issues need to be resolved before we can bring forward good legislation that is clear, accessible and will stand the test of time.

This will be a major reform of agricultural support - I want to do this Bill once and do it well.

I now believe it is best to introduce the Bill in the next term. To help us get this right a further consultation, 'Sustainable Farming and our Land', is underway setting out a more detailed proposal for Sustainable Land Management and we propose bringing forward a White Paper before the end of this Assembly term.

Until the extension of the Assembly's legislative competence is secured through the UK Fisheries Bill, it would be unwise to introduce a Welsh Fisheries Bill, which could only make provisions applying to the Welsh inshore waters, whereas our fisheries management responsibilities extend out to our offshore waters. Timings for introduction are dependent on the UK Fisheries Bill being enacted, and as such we cannot make any clearer statements on timing at this time, given the situation in UK Parliament. However, it remains our intention to bring forward a White Paper for a Welsh Fisheries Bill by the end of this Assembly Term.

At a strategic level, the senior management team has done everything possible to re-prioritise work or approach it in different ways so that the impact on the delivery of Ministerial priorities is minimised wherever possible. For example, we have recently streamlined and simplified the Ministerial advice process so that unnecessary bureaucracy is kept to a minimum and capacity can be focused on priorities.

I have written to the Prime Minister to set out our priorities in terms of financial interventions which will be needed to mitigate the catastrophic impact of 'no deal'. These include a demand that the UK Government must plan for an appropriate fiscal response to no deal, which should increase the funding of the key public services on which disadvantaged people depend; increase benefit payments to disadvantaged groups, and in particular address the growing gap between housing related benefits and real rental values; and involve a range of tax cuts to benefit disadvantaged households, which might include a reduction in VAT and fuel duty to mitigate price rises, and selective reductions in income tax for the lower paid.

We have also made clear that, based on the inflation assumptions made by the Office for Budget Responsibility (OBR) in their "stress test" of Brexit, we anticipate an immediate significant increase in the cost of providing public services in Wales, which would need to be met with an equivalent increase in our funding.

We have also argued for an increase in capital funding to bring forward the infrastructure investment that will support future productivity growth, for Barnett consequentials of any increased funding for projects in devolved areas in England in line with the normal process.

Businesses would, of course, also be hard hit by a no deal exit, with disruption to supply chains, inflation and additional costs of sale potentially pushing some otherwise viable

enterprises into serious difficulties. The Welsh economy is particularly exposed in terms of manufacturing and has been hit hard in recent months with decisions to close or relocate companies in the automotive sector, impacting on already vulnerable communities. We have asked that the UK Government make substantial funding available to provide financial support to businesses in need as a result of no deal.

Additional funding will also be needed for a range of specific actions that we have identified to prepare for, and mitigate impacts of, a no deal Brexit and we are asking the UK Government both to fund preparedness measures we have already taken as well as those which we will need to take in the event of a no deal. The Welsh Government has already invested £200 million on mitigation actions significantly more than the consequential ones we have received to date from UK Government preparedness funding. And as the Minister for Health pointed out on Tuesday, this money is being diverted from other purposes: as he explained, the costs of the new medical supplies warehouse would have funded seven MRI scanners.

We have had no assurances to date that the UK Government will provide the necessary additional funding.

As I outlined at Committee, there remains considerable financial uncertainty with regard to future plans both in terms of the additional funding we received in the one-year Spending Round for 2020-21 and in the absence of a settlement beyond that.

For the purposes of providing financial certainty to our stakeholders and partners next year, we have to plan on the basis of the published figures. If the promised funding from the UK Government does not materialise, we may be able to go some way to mitigate these impacts by drawing on available reserves. However the reality is we would not be able to mitigate these impacts in full without reopening our plans. This would have a significant impact on public services across Wales.

Our calls to the UK Government have been clear since the 2016 referendum: replace EU funding in full and respect the devolved competence of the Welsh Government in determining how this funding is invested. There is clear support for these Welsh Government positions – views shared by the National Assembly for Wales, a wide range of partners across Wales, and an all Party Parliamentary Group. They were also supported by the Welsh Conservative Group during the debate during a Plenary debate (11 June) on the Shared Prosperity Fund.

The Welsh economy is also stimulated by a number of smaller EU programmes, and we look for continued access to European partnerships and networks such as those established through the Ireland-Wales programme, Horizon 2020, ERASMUS+, Creative Europe, and their successor programmes.

Welsh Ministers have reinforced our positions and pressed for clarity from the UK Government including through the Joint Ministerial Committee, Finance Minister quadrilateral meetings, and through correspondence.

At an official level, there is regular contact between WG and UKG on these issues, but there is still no clarity around UK Government Ministerial priorities and how the UK Government plans to distribute replacement funds etc., which adds uncertainty and constantly threatens to undermine the work underway in Wales.

Despite the lack of any decisions from UK Ministers, Welsh Government is working with stakeholders on developing future arrangements for Wales on the clear assumption that all EU funding will be replaced and that regional funding is a fully devolved matter.

In respect of the Structural Funds, we have engaged with stakeholders across Wales since our policy paper, 'Regional Investment in Wales After Brexit', was published in December 2017. This includes a reflection exercise in early 2018 and publication of an independent summary of findings in July 2018.

We have also established a Regional Investment for Wales Steering Group, chaired by Huw Irranca-Davies AM, to provide advice to Welsh Ministers on successor arrangements. Membership is from a wide range of stakeholders including business, local government, academic institutions, and the third sector. The Steering Group has met three times since January, and will meet again on 10 October.

In 2020 our financial planning assumption for the Common Agricultural Policy is that we will continue to receive at least €320m to cover the Basic Payments Scheme, (BPS) 2020. We are also planning to receive a further €50m for rural development programmes in 2021. This reflects the UK Government manifesto commitment not to reduce agricultural support this Parliament.

We are urgently pushing for further clarity from UK Government on this. At the spending round on 4th September, HMT did not confirm the budget for making direct payments to farmers in 2020.

The manner of the UK's withdrawal from the European Union (EU) and the future economic relationship are far from decided. This particularly applies to the terms of any Withdrawal Agreement. Resolution of these issues will determine how long the UK stays within different parts of the Common Agricultural Policy (CAP) and, therefore, when it is possible to start moving to different arrangements.

I hope this information is helpful to the Committee. I have copied this letter to the Chair of the Finance Committee and the Chair of the Climate Change, Environment and Rural Affairs Committee.

Yours sincerely

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

MARK DRAKEFORD

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Agenda Item 7

By virtue of paragraph(s) vi of Standing Order 17.42

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